

INTERNAL USE ONLY

27 January 1972

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Robert Hull re Financing
of Foreign Service Retirement System

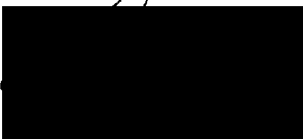
1. Today, Robert Hull, Department of State, called concerning the outcome of the Department's meeting with OMB representatives on financing of the Foreign Service retirement system and clearance for transmittal to Congress of liberalizing and catch-up benefits for the system.
2. Financing. OMB did not question State's actuary prediction (based upon an ever increasing payroll due to pay increases) that the assets in the fund would be always more than sufficient to meet obligations. Nevertheless, OMB insisted that the Department come up with a proposal for funding the portion of "normal costs" not covered by present employer/employee contributions. (Similarly, OMB has raised questions about the CIA system on the equitable sharing of "normal costs.")
3. OMB Benefits. OMB is using the leverage it has on the financing issue to hold up amendments to the Foreign Service system which have been transmitted to them for clearance to the Congress.
4. Merger. To resolve the impasse, OMB representatives brought up the merger of the Foreign Service with the Civil Service system as a possible solution. This would include merger of the funds, permitting Foreign Service retirements under the FBI formula and perhaps the retention of certain other benefits, including selection out annuities at certain officer levels. OMB felt that all independent Federal retirement systems should be merged into one system and in that connection cited an ironclad guarantee from CIA to merge if other systems merged. Hull wanted to check this out with us. Hull said that in view of their lack of political clout on the Hill and failure to get catch-up amendments over the past several years, perhaps one way to solve their problem is to capitulate on the merger question. In response to my query, he said they had not yet thoroughly reviewed the full impact of a merger and whether management as well as administrative control might be involved.

INTERNAL USE ONLY

INTERNAL USE ONLY

5. Miscellaneous. Hull reported that the Civil Service retirement fund had been increased to a 5 per cent valuation which would reduce normal costs by approximately 1 per cent and provide room for the financing of further liberalization. He did not know what the Civil Service Commission's plans were in this respect.

STATINTL


Assistant Legislative Counsel

Distribution:

Orig - Subj

1 - OGC

1 - OF

1 - 

1 - Fisher STATINTL

INTERNAL USE ONLY